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Bush to Defend Budget Ahead of Key Surplus Report

By Randall Mikkelsen

KANSAS CITY, Mo. (Reuters) - President Bush will defend his budget plans and commitment to Social Security on Tuesday ahead of a key report fueling charges his tax cuts threaten to squander a massive surplus.

Bush is to speak in Independence, Missouri, home of former Democratic President Harry S. Truman, a day before the White House budget office releases midyear projections for the budget and the economy.

The report will be a central element in a political battle this fall over Bush's fiscal 2002 spending proposals, a battle that could extend into the 2002 congressional elections.

The White House previewed those projections last week, prompting Democratic accusations that a dwindling surplus -- slimmed, in part, by Bush's 10-year, $1.35 trillion tax cut -- will force the government to dip into surplus Social Security funds to fund general government operations.

Bush ``will talk about his commitment to protecting Social Security and Medicare," White House spokeswoman Claire Buchan said on Monday. She said he would also warn Congress against actions -- such as breaking earlier budget agreements -- that would force the government to draw on Social Security funds.

The White House said last week the budget office report would project a fiscal 2001 budget surplus of about $160 billion, down from a record $236.9 billion last year and well below the $281 billion surplus that the White House projected for 2001 in April.

THE TABOO AND THE VULNERABLE

Virtually all this year's surplus will be generated by the Social Security retirement system, which Republican and Democratic political leaders have placed off-limits.

This means that surpluses generated by the Medicare old-age hospitalization insurance fund, which some politicians have also sought to protect, are likely to be tapped.

The White House says all Medicare revenues will be funneled back to the system, which includes an outpatient program that runs at a deficit.

The weakening of the economy, which slowed corporate tax receipts, and the first installment of the tax cut are

primarily responsible for the reduction in the projected surplus, and Democrats have focused on the tax cut, accusing the administration of irresponsible budgeting.

``We said at the time the tax cut passed that we thought that it was too large, too unfocused, and it would cause us to go into Social Security and Medicare. That's what's happening right now," House Democratic leader Richard Gephardt of Missouri said on ``Meet the Press" on Sunday.

Led by Bush, administration officials counter that the real threat to the budget is congressional overspending. They note that Congress last year agreed to spend $34.5 billion more than it had initially authorized for 2001.

And they say the tax cut is needed to revive the economy.

Bush has vowed to veto congressional overspending.

``The president is committed to protecting Social Security. He believes that tax cuts are key to providing a boost to the economy now and for the long term. The budget he prepared meets America's priorities," Buchan said.

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